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Folio:

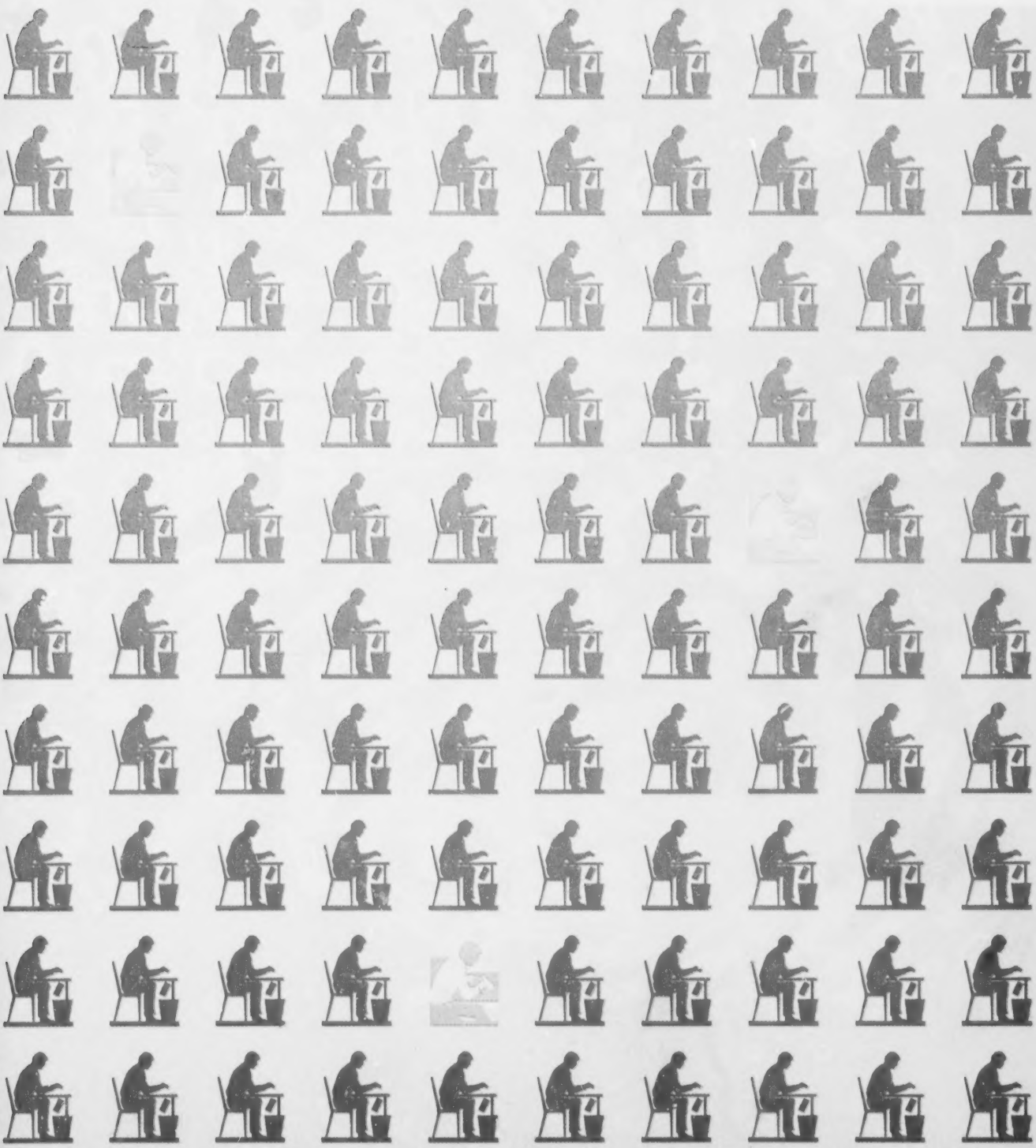
THE MAGAZINE FOR MAGAZINE MANAGEMENT

Circulation marketing

- Analyzing your early response
- Circulation battle plans
- Creative marketing isn't that tough

Impact of new postal distribution

The editor as architect



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THE MAGAZINE FOR MAGAZINE MANAGEMENT

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Advertising sales

Publishers' reps decry a lack of information on magazines for sales

New York City—A frequent complaint from publishers' representatives is that they don't receive sufficient information from publishers to sell their magazines effectively. Sometimes they don't even receive enough copies of the magazines, they say.

A lack of meaningful communication was cited as a problem by reps attending a recent City & Regional Magazine Association conference. Some reps suggested that, while publishers and sales executives are visiting the "territory," they should go along on sales calls or host lunches.

On the publishing side, Roger Tremblay, advertising director of *Texas Monthly* and a workshop leader, said his publication actually paid for his reps to attend regular sales meetings. Most of the reps expressed wonder. They said they certainly would go to such meetings, but that they were usually not invited.

In questioning other reps away from the conference site, FOLIO found similar complaints about a lack of information, but also found cases in which reps received an abundance of both general and specific data. These cases, however, appeared to be linked to the size and the wherewithal of the publishing company involved.

Tremblay turns out not to be alone in hosting sales meetings. Hank Shaw, president of Sage/Shaw & Company of Santa Monica, California, says that his publishers also pay for reps to attend these meetings. Shaw is one of the reps contacted who said he was occasionally overwhelmed with information and overloaded with paper from publishers.

However, Shaw did complain that some publishers do not treat their reps as part of the staff, or even as a member of the team. He is considered a "general contractor," he says.

Molly Lockwood of Catalyst Communications in New York City said she felt this non-staff consideration to be probably the number-one problem in the rep/publisher relationship. She said reps often don't know what's going on, and could even be selling the wrong ad rates.

Lockwood cited audits, and trying to get publishers to do them, as a problem for reps. She was seconded in this by Camille Harris of National Business Network, also of New York City. Harris said that an audit was a requirement for her to rep a publication, and that a client without one is put on probation until application for one is made.

Both Lockwood and Harris said they have had to prod publishers—especially smaller ones—to give them promotional materials sufficiently in advance to produce results. Time is needed for mailings, sales calls and follow-up, they pointed out.

A lack of timely audits and promotions also was cited by Edward McAvoy of McAvoy Publications International, Tappan, New York. Because of paper costs in Europe, he says, he has had some problems in getting enough copies

(Continued on page 168)

Individual magazines rated for first time by MRI 'page exposure'

New York City—Mediamark Research, Inc. (MRI) released its new "Page Exposure" data for all the magazines it surveys, reporting for the first time title-by-title estimates of the total number of different days that the average page in the average issue of the magazine is opened by different readers.

Leading all others in total page exposures per average issue was *Reader's Digest*, with 131 million, which means, according to MRI chairman Timothy Joyce, that the average page was opened on a total of 131 million different days.

MRI reported an average of 1.8 page exposures per reader for all 180 magazines in its survey, which is based on 20,000 annual personal interviews. Leading in this measurement was *Modern Bride* with 3.07. The "average" page in the study includes both advertising and editorial pages, without distinguishing between them.

Release of the new MRI data marks the first time that reports on individual magazine titles have been available since the 1966 Politz Advertising Page Exposures (APX) study, which also found an average of 1.8 page exposures per magazine reader.

Joyce explained that MRI's new methodology was essentially an adaptation of a study published by the Magazine Publishers Association two years ago. That study, Magazine Page Exposures (MPX), which found an average of 1.7 page exposures per reader, was based on 1,510 telephone interviews over a 30-day period. Because the MPA is an industry association, it could not

MRI Spring 1984:

Total page exposures (000)

Top 15 magazines

Reader's Digest	130,835
TV Guide	121,951
National Geographic	65,378
Better Homes and Gardens	58,448
Family Circle	55,481
Good Housekeeping	51,700
Woman's Day	51,276
McCall's	37,628
Ladies' Home Journal	34,669
People	33,487
Playboy	33,213
Time	29,882
Field & Stream	27,580
National Enquirer	25,816
Newsweek	24,924

Average page exposures

Top 15 magazines

Modern Bride	3.07
Decorating & Craft Ideas	2.89
Bride's	2.83
TV Guide	2.68
Prevention	2.58
Organic Gardening	2.58
Penthouse	2.48
Reader's Digest	2.43
Country Living	2.42
The Mother Earth News	2.39
Hunting	2.33
Colonial Homes	2.30
4 Wheel & Off-Road	2.30
Personal Computing	2.29
Motor Boating and Sailing	2.27

make public the results of the study on a title-by-title basis.

MRI's data include tables ranking the top 25 magazines by both total page exposures and by average page exposures.

In total page exposures, *Reader's Digest* (131 million) was followed by *TV Guide* (122 million) and *National Geographic* (65 million). The next six were women's service magazines.

As for average page exposures per reader, *Modern Bride* (3.07) was followed by *Decorating and Craft Ideas* (2.89), *Bride's* (2.83), *TV Guide* (2.68) and *Prevention* and *Organic Gardening* (2.58 each).

Joyce says the new research measurements "demonstrate the ability of the medium to provide repeat exposures without repeat payment, and that they will make it possible for advertisers to use the medium still more efficiently."

Parity with retail ads in city magazines asked by national advertisers

New York City—Publishers and sales executives of city and regional magazines will have to position national advertisers' ads more fairly in relation to retail ads if they want more of their business, says one media director.

The issue is a sticky one for these particular magazines, whose growth and strength have been so dependent on retail advertising on front-of-the-book right-hand pages, publishers acknowledged at the eighth annual conference of the City and Regional Magazine Association (CRMA).

"To some advertisers, position is critical," said Gladys Oshins, associate media director of Della Femina Travisano & Partners, during a panel discussion on advertising sales at The Halloran House. She cited Rolls-Royce Motors as an example of clients who feel they must be in about the first five pages. "We don't want to feel that we're going to get second choice. We have to have some equality with stores like Saks Fifth Avenue," she continued.

She seemed to startle a number of publishers in the room, one of whom commented, "You can't push around an 18-time retail advertiser who's been with you from the beginning and through lean times, in order to accommodate a three-time national advertiser." He pointed to "loyalties that run deeper and are also more lucrative."

Oshins startled her audience even more when she said that she would pay a premium for her clients "only for the fourth cover," explaining that because second and third covers only face other ads, she saw no increased benefit from them. She did concede that "there is more to a magazine than the first few pages," and that with vital editorial is still the best place to be.

A solution to the positioning problem, she suggested, is to work out each situation individually, ahead of time, so that there are no surprises when the magazine comes out. She said she talks to her people in advance as to what positioning they can accept, and negotiates accordingly. Publishers have to come to terms, she said, "and be willing to rotate retail ads in the front of the book with national advertisers."

Much of what Oshins said was seconded from the advertiser side by Frances W. Fletcher, vice president-member acquisition, Citibank Preferred Visa Program. She noted that "this is a selling situation, in which the rep and the agency must tell the client he should be in a certain position."

Fletcher said that positioning was very important to her; when the subject comes up during a sales call, she said, "I get a warm feeling."

Interest in continuing the discussion about giving national ads parity with retail ads in city magazines spurred audience to approach panelists after formal CRMA session ended. Panelists are, at left, Christopher Edman, vice president of The Pattis Group; Frances W. Fletcher, vice president of Citibank's Visa Program; and, in rear, Gladys Oshins, associate media director of the Della Femina, Travisano & Partners ad agency.

Doyle Dane Bernbach wins Kelly Award for Weight Watchers

New York City—Doyle Dane Bernbach won the third annual Stephen E. Kelly Award for creative excellence in magazine advertising, for Foodways National's Weight Watchers frozen foods. The award includes a $25,000 prize for the agency.

The award is sponsored by the Magazine Publishers Association (MPA), of which Kelly was president for nine years until his death in 1978. More than 1,000 persons, a record attendance for any MPA event, filled the Grand Ballroom and first tier of the Waldorf-Astoria for the luncheon presentation.

Five agencies accounted for the 11 finalist campaigns, with Doyle Dane Bernbach and Chiat/Day each having four in the running. The other agencies, with one campaign apiece, were N W Ayer, Backer & Spielvogel and Lord, Geller, Federico, Einstein.

Ogilvy & Mather was the winner of both the previous awards, having won the 1981 prize for work on behalf of Par Parfums' Paco Rabanne cologne, and the 1982 award for the International Paper Company.

Doyle Dane Bernbach's other finalists for the 1983 Kelly Award were campaigns for Volkswagen of America, for O.M. Scott & Sons' Burpee garden tools and for the Polaroid Corporation. Chiat/Day's finalists were campaigns for the Disney Channel and U.C. Berkeley Foundation, and two campaigns for Apple Computer. N W Ayer's finalist was a campaign for De Beers; Backer & Spielvogel's was for the Campbell Soup Company, and Lord, Geller, Federico, Einstein's was for the IBM Corporation. There had been 26 semifinalists.

Gatefold, coated cover change feel and image of *The Times Magazine*

New York City—The New York Times Magazine wrapped itself in a new package—and a new image—in April, when it ran its first gatefold cover. It was a milestone of more than two years in the making, and of more than passing interest to the magazine business. The implications are considerable, though speculation of plans for separate newsstand or subscription sales are denied.

The April 15th advertising "package," sponsored by the province of Quebec at a cost of $142,615, has the po-

PHOTO COURTESY OF *SUPERMARKET BUSINESS*

Do you know how to use your magazine's circulation as a competitive weapon? You need leverage, flexibility and the room to make choices on this particular battleground if your magazine is to come out on top.

Circulation battle plan

By David H. Foster

In 1980, a sophisticated publishing company traded on the New York Stock Exchange began to publish a unique sports magazine whose editorial content was widely regarded as strong and attractive. Newsstand tests had shown there existed a market among consumers. Two years and $18 million later, after a tough start in winning advertiser acceptance, that magazine was sold.

In 1981, a group of private investors put a reported $5.8 million behind an entrepreneur less than 30 years old who wanted to publish a magazine about health—a field in which a number of titles already existed. Today, three years later, the magazine that started as a bimonthly has become a monthly and financial results are comfortably ahead of original projections.

What accounts for the different outcomes? Any magazine launch is complicated, but, fundamentally, the difference between success and failure can be traced to strategies adopted in circulation. The publication that was sold promised a lot, was widely known to have spent heavily, and delivered a lot —but not what was promised. The successful publication promised a little, exceeded what was promised, and proclaimed its "successs" near and far.

A history of magazine publishing would show that *Inside Sports* and *American Health* are not the only magazines whose fates can be traced to circulation marketing. This is not to say that circulation marketing is the only variable. It isn't. Most certainly, successful publishing begins with an editorial concept people are willing to buy. But given that starting point, success often depends on the circulation strategy.

Many publishing executives are now aware that the way circulation is managed can have a dramatic effect on a magazine's level of profitability. The more sophisticated are coming to see that circulation management creates the base for financial, marketing and operating leverage. As such, circulation management is the main battleground for competitive superiority. This article defines and discusses ways in which circulation can be managed as a competitive weapon.

David H. Foster is president of David H. Foster & Associates, a consulting firm, and is also publisher of a newsletter called Circulation Hotline. *Prior to forming his own company, he was circulation planning director at Times Mirror Magazines, and manager of Paperback Book Clubs at Xerox Education Publications.*

Bigger isn't always better

The most obvious (and the most frequent) way one magazine is compared with another is by level of circulation. Far and away, the single most cogent notion of "beating the competition" refers to which publication shows the larger circulation numbers.

The "bigger is better" standard has solid roots in psychology and in daily realities. It is much easier to talk about expanding than contracting. In the popular imagination, size is often associated with success. Larger companies often appear to dominate markets by using financial and management resources to the detriment of competitors.

Despite recent recognition of and movement toward audience segmentation, prestige is still associated with big numbers among media buyers and advertisers. This mentality is fostered by television ratings fights that rely on hype, and newspaper circulation wars—all conducted to capture a media headline that will label, simplistically, "winners" and "losers" on the basis of size.

In magazine publishing, there are often good reasons for increasing circulation. However, a magazine's ability to compete on this basis, and whether it should, depends on where a magazine is in its development, its competitive market position, the kind of market it is serving, its financial strength, and the potential of its market.

Circulation growth creates leverage

In a startup situation, where creating impressions of acceptance and staying power is important, circulation management can be the cornerstone of the "more is better" psychology—and it can be used to competitive advantage. Nowhere has this been more successfully carried out than at *American Health*.

Growing interest in health and fitness in the late 1970s and early eighties led to the launch of several magazines. In recognition and financial reward, *American Health* has a clear lead over others in the field. Its success is due largely to the way its circulation has been managed and promoted.

Direct mail test results had suggested that a rate base of 500,000 could be easily and rapidly attained. Nevertheless, the publication was launched with a widely publicized promised circulation of 300,000.

The discrepancy between the potential and the starting point was not due to lack of funds. The stake before the first copy appeared was, up to that time, the largest assembled by a group of private investors for the launch of a consumer magazine.

As has been evident from the first ABC Publisher's Statement, *American Health* used and promoted circulation to create marketing leverage based on image. Compared with the opening issue, Table 1 shows, subsequent issues demonstrated growth rates of 26 per-

ILLUSTRATION BY JOHN DYKES

Table 1
Circulation growth of *American Health*

ISSUE	1982 JULY/ AUGUST	SEPT/ OCTOBER	NOV/ DECEMBER	1983 JAN/ FEBRUARY	MARCH/ APRIL	MAY/ JUNE
ABC CIRCULATION	309548	389163	406039	467032	450709	477425
ISSUE AS A PERCENT OF JULY/ AUGUST, 1982	100	1.26	1.31	1.51	1.46	1.54

SOURCE: ABC Publisher's Statements

cent, 31 percent and 51 percent.

This growth pattern did not go unnoticed by the publishing community and by advertisers. A large investment was devoted to touting the magazine's circulation growth. It was the measure of success.

Whatever was sacrificed in early page rate profit by taking up the rate base in stages was more than offset by momentum. Unlike other similar publications started at about the same time, *American Health* became a hot book. Everyone wanted it. Advertisers wanted to be in it. *American Health* was the place to be seen. Circulation growth and the promotion of it gave *American Health* panache.

Mature magazines: Another challenge

Established publications in mature markets are faced with a different set of dynamics. Whether a publication should assume circulation leadership, take up the rear, or fall somewhere in between is a question for which there is no universally obvious answer. Consider, for example, the automotive market.

From the standpoint of capturing market share of advertising pages and dollars, few publications have enjoyed the success of *Road & Track*. Yet, as Table 2 reveals, the magazine has had the lowest level of circulation in its market. Without doubt, its strength depends in large part on a strong, unique editorial position. But an essential ingredient to continued strength is the circulation marketing program.

Advertiser support has been nurtured through a slow and steady increase in circulation year by year. While the magazine does not have the highest level of circulation in the field, the pattern allows advertisers to believe that the magazine enjoys broadening support—and it gives salespeople an easy sell against resistance to ad rate increases.

While their strategy has been successful so far, trends suggest the future may present some challenges. Recent circulation increases by *Car & Driver* indicate that there may be a point when *Road & Track* will touch off a race for circulation growth.

Table 2
Growth in average issue circulation for automotive magazines

MAGAZINE	1980	1981	1982	1983
Car & Driver	672	672	685	707
Motor Trend	725	725	736	725
Road & Track	531	547	581	614
TOTAL	1928	1944	2002	2046

Source: MRI

Table 3
Average issue circulation growth compared with total audience growth for the automotive market

	1980	1981	1982	1983
TOTAL AUDIENCE				
CD	1.00	0.92	0.79	0.79
MT	1.00	0.95	0.78	0.78
RT	1.00	0.91	0.89	0.89
TOTAL	1.00	0.93	0.82	0.82
AVE. ISSUE CIRC.				
CD	1.00	1.00	1.02	1.05
MT	1.00	1.00	1.02	1.00
RT	1.00	1.03	1.09	1.16
TOTAL	1.00	1.01	1.04	1.06

1980 IS EQUAL TO 100 PERCENT Source: MRI

Subscriptions become costly to acquire

Having been carried out over a period of years, the circulation growth strategy has become fixed in the minds of advertisers. Rate increases have been cushioned by increased circulation. But when *Road & Track* crosses the inevitable line where the cost of acquiring the next subscription is greater than the returns in circulation and advertising dollars, one of two things will have to happen: Either margins on the magazine will deteriorate, or ad rates will be pushed up to noncompetitive levels.

One certain consequence is that as circulation growth drifts toward subscriptions more costly to obtain, profits will depend more and more on advertising. And because this source of revenue tends to swing with the fortunes of the economy and the advertising market to a greater extent than does circulation, the financial risks that the magazine takes continue to increase.

The possible cutting points in risk and profit are known only to the parent company of *Road & Track*. But the fact that measured audience for publications in the market has not grown along with the circulation (Table 3) suggests the bridge to cross may be nearer rather than farther.

When "more" is advantageous

In many instances, it is easy to construct a plausible rationale for having the most circulation in a market. For example, consider a highly focused mar-

ket served by special interest publications where there are lots of advertisers who want to reach as many potential customers as possible, but who have few outlets to display their wares. The largest size circulation, according to conventional reasoning, becomes an advantage for the publication that offers reach to generic advertisers and to nonendemics who would consider being in the largest book that covers the market.

Whether "more" actually represents an advantage for a particular publication depends on the market and the starting points within it. More circulation may not be the most secure publishing strategy, or the most profitable. For one thing, the cost of beating a competitor with the same attitude may threaten economic survival. Certainly the level of profitability and the potential for profit growth of special interest magazines in some markets may be jeopardized by circulation wars.

Circulation wars are dangerous

In the tennis market, for example, *World Tennis* and *Tennis* magazines have fought an expensive battle for the number-one spot in circulation size. The battle was joined at a time when the market was expanding. They experienced accelerated growth during a period when tennis gained wide favor as an "in" sport to play and watch. When the market as a whole leveled off and then contracted, the circulation race gained momentum, primarily as a means of taking market share of advertising pages and dollars.

The aggressive pursuit of circulation ultimately led to disqualification of a large portion of *World Tennis* figures —which cost market share in ad pages and dollars, as well as circulation position. The magazine also experienced incalculable future losses from depressed credibility in the marketplace. It will take time to rebuild.

In relatively stable markets, the strategy to adopt may depend on your starting point and your company. Consider a two-magazine market such as *Golf* and *Golf Digest*. By 1980, *Golf Digest*, by using sweeps and marginal circulation sources, had established a clear lead in circulation. The margin of supremacy over *Golf*, according to Table 4, was over 41 percent. The difference between the two circulation levels was great enough that, even if *Golf* moved up in circulation, it would not be in a position to overtake its competitor before setting off a response that might result in a debilitating circulation battle.

Nevertheless, Table 4 demonstrates, from 1980 to 1983 *Golf Digest* elected to invest in circulation and widen the differential with *Golf*.

What did *Golf Digest* gain? By the standards of advertising share of market pages and dollars, presented in Table 5, *Golf Digest* lengthened a lead. However, in light of the profit implications to *Golf Digest* of increasing its rate base, shown in Table 6, the move may not have been so successful.

Profitability decreases

What Table 6 says is that any circulation copy served that came from a promotion that cost more than 22 cents

Table 4
Average issue circulation for the golf market (as measured by MRI)

	1980	1981	1982	1983
GOLF	676	681	691	713
GOLF DIGEST	950	974	979	1031
% DIFFERENTIAL	0.41	0.43	0.42	0.45

SOURCE: Mediamark Research Inc.

Table 5
Ad pages and dollar share of market for the golf market

	GOLF MARKET			
AD PAGES	1980	1981	1982	1983
Golf	768.28	823.08	783.62	747.8
Golf Digest	822.16	857.88	879.26	1058.64
TOTAL	1590.44	1680.96	1662.88	1806.44
S-O-M				
Golf	0.483	0.490	0.471	0.414
Golf Digest	0.517	0.510	0.529	0.586
TOTAL	1.000	1.000	1.000	1.000

Table 6
Estimated dollars per copy needed to break even in circulation for the golf market

	GOLF DIGEST		GOLF MAGAZINE	
	1982	1983	1982	1983
AVE ISSUE CIRC (000)	979	1031	691	713
X 12 ISSUES (000)	11748	12372	8292	8556
GROSS AD REV (000)	20647	28359	13385	13372
EST NET AD REVENUE	17003	23354	11023	11012
EST NET AD REV/ CIRC UNIT	1.45	1.89	1.33	1.29
MANUFACTURING/ DELIVERY COST/COPY Based on estimated industry average	1.23	1.60	1.02	0.99
BREAKEVEN AVAILABLE CIRC PROMO DOLLARS PER CIRC UNIT	0.22	0.28	0.31	0.30

Sources: PIB MPA Price/Waterhouse Survey, 1983 MRI

Table 7
Total audience CPM, golf market

	1980	1981	1982	1983
TOTAL AUDIENCE cpm				
Golf	22.94	25.50	28.15	29.47
Golf Digest	22.55	24.44	27.20	27.89

Source: MRI

Table 8
Ad pages and dollars share of market, newsweekly market

AD PAGES	1980	1981	1982	1983
Newsweek	3120.24	3129.74	2862.6	2958.18
Time	2851.09	2907.54	2641.4	2698.63
U.S. News	1932.48	1793.98	1740.76	1785.16
TOTAL	7903.81	7831.26	7244.76	7441.97
S-O-M				
Newsweek	0.395	0.400	0.395	0.397
Time	0.361	0.371	0.365	0.363
U.S. News	0.244	0.229	0.240	0.240
TOTAL	1.000	1.000	1.000	1.000
AD DOLLARS				
Newsweek	176301.4	200223.5	195358.6	218722.8
Time	223419.2	253440.8	256409.6	298611.6
U.S. News	72890.1	79585.6	83821.1	93853.6
TOTAL	472610.7	533249.9	535589.3	611188
S-O-M				
Newsweek	0.373	0.375	0.365	0.358
Time	0.473	0.475	0.479	0.489
U.S. News	0.154	0.149	0.157	0.154
TOTAL	1.000	1.000	1.000	1.000

Source: PIB

in 1982, or 28 cents in 1983, decreased the profitability of the magazine. Table 6 also says that any copy served to support the average issue circulation increase of 52,000 that cost more than six cents incurred a loss.

It must be assumed that the rationale for the investment in greater circulation either rests on values or economies associated with *Tennis*, a sister publication also owned by The New York Times Company, or reflects some expectation of future profit from new advertising categories or accounts that might be attracted to larger numbers. Another possible line of reasoning is that, because advertisers and agencies see growth at *Golf Digest*, they will eventually come to believe that competitively it is stronger—and ad dollars will shift in its direction.

The competition's options

With the impetus for circulation growth in the market coming from *Golf Digest*, competitor *Golf* magazine has some choices. The most likely option management normally would consider is to move up circulation.

A quick look at the economics from the point of view of *Golf* (Table 6) shows that moving up rate base would surely cost margin. From the point of view of *Golf* management, the only plausible rationale for increasing rate base would be a calculation that, if they did not, a loss in advertising support would follow, and its dollar value would more than equal the increased costs of moving up rate base.

Contribution per ad page

In order to give dimension to the scale, it is necessary to make some assumptions about average contribution per advertising page and the cost of acquiring the added circulation. Suppose, for example, that the contribution per advertising page, which is defined as average revenue for the page less marginal expenses in producing it, were to be calculated at about $7,000. (The actual amount would depend on production costs, which are a function of items not publicly available: production contract and process. However, $7,000 is a reasonable average guess.)

Now suppose management decides to add 25,000 subscription circulation. And let's suppose each of those additional customers costs $25 net to acquire. This means the incremental circulation cost of adding to rate base would amount to $625,000. Dividing that number by the average contribution per advertising page, we calculate that *Golf* would have to suffer a loss of 89 advertising pages (because it did *not* increase rate base) to make up for the difference in circulation costs. Is this a reasonable risk? That is what management has to decide.

Evaluating *Golf* from a competitive standpoint, the increases in circulation by *Golf Digest* have put management in a defensive position. Raising the circulation is the normal reaction; perceptions of virility imposed by the advertising community require some meaningful demonstration. Raising circulation meets *Golf Digest* on its terms. It shows advertisers that *Golf* is still in the game and, according to conventional thinking, it makes advertising rate increases more palatable.

Cost-per-thousand advantage

There may be, however, another way to respond. Despite the promotability to advertisers of circulation increases, a good case might be made that a more compelling reason for the growth in market share for *Golf Digest* is an advantage in cost per thousand (Table 7).

From a competitive standpoint, *Golf* could achieve marketing leverage by cutting costs and passing these efficiencies through to advertisers by way of reduced CPM. Circulation is the most likely cost-cutting candidate for creating the financial leverage that would allow such a competitive marketing advantage. While this approach would acknowledge the greater numbers of *Golf Digest*, it would also carve out a competitive offense.

Total audience frequently ignored

In the calculation of competitive consequences of various circulation levels, one frequently ignored aspect is total audience. There are several reasons for the omission. First, total audience, which is defined as the number of people who can be projected to have read or looked into a publication, is measured only through syndicated research; it is not under the direct supervisory control of the managers making rate base decisions.

Table 9
Circulation and audience costs per thousand, newsweekly market

SMRB CPM (CIRC)				
Newsweek	17.67	19.66	21.38	22.85
Time	15.70	17.01	18.83	20.06
U.S. News	16.63	18.23	20.16	21.16
SMRB CPM (AUDIENCE)				
Newsweek	3.14	3.74	3.91	4.30
Time	3.51	3.71	4.15	4.40
U.S. News	3.96	3.87	4.59	5.14

Source: SRDS and SMRB

Table 10
Newsweekly circulation growth based on SMRB average issue circulation (000)

SMRB AVERAGE ISSUE CIRCULATION	1977/8	1978/9	1979	1980	1981	1982	1983
Newsweek	2941	2925	2905	2927	2939	2987	3007
Time	4404	4411	4414	4477	4525	4561	4709
U.S. News	2041	2111	2068	2082	2105	2109	2170
TOTAL	9386	9447	9387	9486	9569	9657	9886
GROWTH IN SMRB CIRC							
Newsweek	1.000	0.995	0.988	0.995	0.999	1.016	1.022
Time	1.000	1.002	1.002	1.017	1.027	1.036	1.069
U.S. News	1.000	1.034	1.013	1.020	1.031	1.033	1.063
TOTAL	1.000	1.006	1.000	1.011	1.019	1.029	1.053

Second, whatever strategy may be adopted to influence total audience, an extended period is required to learn the results. The time from development of strategy to implementation of program to reading measured results will almost certainly be longer than the usual budget period of one year.

Third, and perhaps most important, there is no well-understood comprehensive theory that easily explains what can be done to favorably affect the measurement of total audience. A recent study by David H. Foster & Associates showed that there are a number of factors that are important, but any program almost certainly has to be tailored to the circumstances for a particular magazine.

Despite these limitations, it is essential for magazines that compete for advertising dollars based on audience research to evaluate circulation decisions from the standpoint of their likely effects on total audience. Nothing may exercise more influence over the total competitive ability of a publication.

To illustrate the possible interaction between circulation and total audience and the consequences for a magazine's competitive position, consider the newsweekly market.

According to Table 8, *Time* is the market leader in total advertising dollars, but *Newsweek* takes in more advertising pages. *Time*'s advantage in dollars is attributable to the fact that it has a larger circulation. The basis on which *Newsweek* competes successfully for pages, Table 9 indicates, is efficiency in audience CPM.

Over the past several years, Table 10 reveals, all the magazines in this market have pursued a circulation strategy of growth. Beginning in 1978/79, *U.S. News* began to move up slightly in circulation. In the market, however, it appears to have become a contest when *Time* added circulation in 1981. *Newsweek* followed in subsequent years.

From the standpoint of increases in level of circulation, *Time* is the clear winner. Starting from a larger base than either competitor, *Time* has managed to boost its circulation during the period by 6.93 percent, compared to 6.32 percent for *U.S. News* and 2.24 percent for *Newsweek*.

Gains may have cost margin

Whether the gains added to the bottom line or not, however, appears to be a close call. The apparent success may have been pulled off only at the expense of margin. As of this writing, the most recent direct mail agency offer featured a premium of a digital watch. Suppose an offer without the watch would generate 100,000 subs. Allow the introduction of a premium at a possible in-the-mail cost of $2 per item to lift response, say, 15 percent. At a price of $20.30 for 23 issues, the incremental circulation revenue for the added 15,000 orders would be $304,500. Assuming a remit of 25 percent, the net revenue to the magazine would be $76,125.

Against this revenue, it is necessary to place the cost of delivering the premium to all 115,000 orders. That cost, at $2 each, comes to an estimated $230,000. On the promotion alone, based on these estimates, *Time* incurs a loss of $153,875.

By dividing the total advertising dollars by the total number of paid circulation units and deducting a possible commission to agencies of 15 percent, we know that, in 1983, the advertising value of each paid unit of circulation came to $1.04. If all 15,000 additional subscribers were served 23 issues, the advertising value can be estimated at $358,800. The difference between $358,800 and the promotion loss of $153,875 is $204,925. On a per-copy basis, this leaves 59 cents to cover manufacturing, delivery and profit.

With the probable economics so close, the real benefit to *Time* of increasing circulation appears to be to put pressure on *Newsweek* and, to some extent, on *U.S. News*. Because the basis for *Time*'s sell is reach, going up creates the image of strong circulation support and plays directly to the selling strength

Table 11
Readers per copy, newsweekly market (000)

SMRB AVERAGE ISSUE CIRCULATION	1977/8	1978/9	1979	1980	1981	1982	1983
Newsweek	2941	2925	2905	2927	2939	2987	3007
Time	4404	4411	4414	4477	4525	4561	4709
U.S. News	2041	2111	2068	2082	2105	2109	2170
TOTAL	9386	9447	9387	9486	9569	9657	9886
SMRB TOTAL AUDIENCE							
Newsweek	17762	17973	17198	16453	15447	16345	15994
Time	21236	21108	20181	20035	20732	20699	21468
U.S. News	8255	9426	8635	8733	9915	9259	8929
TOTAL	47253	48507	46014	45221	46094	46303	46391
READERS PER COPY							
Newsweek	6.04	6.14	5.92	5.62	5.26	5.47	5.32
Time	4.82	4.79	4.57	4.48	4.58	4.54	4.56
U.S. News	4.04	4.47	4.18	4.19	4.71	4.39	4.11
TOTAL	5.03	5.13	4.90	4.77	4.82	4.79	4.69

Source: SMRB

of the magazine.

Sitting in the number-two position, *Newsweek* obviously has felt that it must respond to the competitive challenge by increasing its circulation as well. Rather than strengthen its competitive position, however, this strategy appears to have weakened it. Consider how.

Table 11 shows that from 1977/78 to 1983, SMRB total audience for the three magazines decreased slightly. At the same time, average issue circulation for the three publications increased. The result has been fewer readers per copy for the publications. In addition to the above result, it is evident that the loss in total audience experienced by *Newsweek* was largely offset by gains for *Time* and *U.S. News*.

Finite pool of readers

The reason appears to be that there is a finite pool of readers for newsweeklies. One characteristic of the dynamics of this pool seems to be that gains for one magazine are accompanied by losses for the others.

Assuming that the observation of a pool and its dynamics is a valid condition of the competitive environment of the three magazines, the effect of all three increasing rate bases is simply to reduce the relative efficiencies for *Time* and *Newsweek*. But *U.S. News & World Report* has registered a gain. The reason is that the measured audience for *U.S. News* grew proportionally more than the increase in rate base.

Under these circumstances, for *Newsweek* to increase rate base at a time when audience is decreasing hurts its competitive ability. During a period when editorial changes have occurred frequently as the magazine has struggled to define its niche, moving up rate base has simply eroded the magazine's single most important competitive edge: audience CPM.

If it were to be assumed that there is a pool that operates as it appears to, competitively speaking, *Newsweek* management could seize the initiative by slightly reducing rate base and selling to their traditional strength, a highly favorable CPM.

In this market, real leverage has been gained only by *U.S. News*, which has increased total audience at a faster rate than circulation. One consideration for this magazine is whether there could have been similar audience gains with stable circulation. Leverage created by audience gains would make their CPMs much more attractive.

Demographic composition increasingly is a battleground in both selling advertising and reaching consumers. In recent years, the consumer market has been segmented from every possible direction: income, employment, sex, race, geography, education. But more, with the application of VALS (Values and Lifestyles Program), it is coming to be segmented through lifestyles as well. Advertisers have invested large sums in research to identify their target markets and to construct appeals that reach these markets specifically.

Large circulation magazines such as *Time* and *Newsweek* can approach the battle for demographics by identifying segments of people who already subscribe to their publications and then packaging a program for advertisers with "demographic" editions. Other magazines, such as *Bon Appetit*, altogether identify themselves as servicing a certain demographic segment.

In some cases, the demographics are not left to chance. *Forbes*, for example, distributes free copies to chief executives of Fortune 500 corporations. This same philosophy is behind controlled circulation publications and many trade magazines.

Controlling demographics is a function of the type of publication, the price charged, and source mix. A few publications have also undertaken research to discover the demographic characteristics of sources with the thought of selecting a target market and then concentrating on those sources that tend to reach those segments. Direct mail offers a continual built-in test of this sort. Where a publication chooses only those lists that perform well, the customers are self-selecting.

The luxury of experiments in shaping demographics through sources can be enjoyed only by those magazines that can afford to be selective in adding subscribers or single-copy outlets. A magazine that needs every available unit of circulation to meet a rate base commitment does not have this flexibility. Potentially, one of the most important strategic decisions management makes is which segment of the market to appeal to, and how.

Choice/risk management

The extent to which circulation can be used as a competitive weapon to shape demographics or influence levels of readers per copy depends on the market, management philosophy and the resources available. An example of the potentials, as well as some limitations, can be found in the outdoor market.

Field & Stream, Outdoor Life and *Sports Afield* have been competitors for decades. In the 1940s, the fifties and the sixties, they jockeyed for the position of having the largest circulation—and their positions relative to one another continually passed back and forth.

In the 1970s the market changed. *Sports Afield* reached a circulation plateau of just over 1.4 million and then, beginning in 1974, started drifting down. Meanwhile, *Field & Stream* and *Outdoor Life* engaged in a spirited race to deliver larger and larger circulation numbers. *Field & Stream*, with the aid of sweepstakes and full participation in marginal circulation sources, topped out over two million. *Outdoor Life* elected to forgo this expensive business and reduce its circulation. By the late 1970s, *Field & Stream* delivered the largest numbers of the group, and *Sports Afield* dropped rate base to five million and doubled its circulation prices.

Different competitive consequences

These different approaches have led to different competitive consequences. *Field & Stream*'s position is to rely on the advertising marketplace, where it can appeal to advertisers (beyond the endemics) for its profits. In those years when advertising is on the upswing, this magazine probably fares well. In down years, however, profits will suffer greatly. In circulation, every source has to be employed, and there is little flexibility in shaping audience and demographics.

Sports Afield, in contrast, has selected a strategy that gives it competitive leverage on a number of different fronts, and cushions its profit performance from downward spirals.

By dropping rate base dramatically and raising circulation price, the magazine forced all but the most ardent supporters from purchase. Using renewals as the core, management then had a choice of the level of circulation it would maintain and which other sources to draw upon. Because there is a great deal of flexibility among price and source mix, management can select level of profit contribution from each cash stream. This position allows operating, marketing and financial leverage.

On the circulation side, because renewals are probably a large portion of the subscriber file, new business requirements are not stretched out. This means that, in a direct mail campaign, only the most profitable lists need be used. In negotiating with direct mail agents, only the best offer remit need be entertained. In other agency sources, remit percentages can be increased.

But the consequences are just as important to advertising. Because profit margins on circulation can be high and managed, there is room to exercise price leadership in CPM.

The key: Managing profit streams

Even more important, by dropping rate base so low as a proportion of the pool of potential readers, *Sports Afield* created high readers per copy. This result has had the effect of multiplying leverage.

Even though quality paper and appearance were introduced, data available through syndicated research do not indicate that *Sports Afield* has gained any appreciable and consistent demographic advantage. However, this may be due to a number of publishing decisions. Circulation prices, for example, were dropped back to levels compatible with competitors. Another consideration may have been that to go for the high ticket hunter or fisherman exclusively would have put the magazine beyond the interest of the optimal potential advertising base.

The important point in this context, however, is that with its circulation operating flexibility and current leverage in CPM, *Sports Afield* management has choices. And because of that, the profit streams can be truly managed. That is the key to being able to use circulation as a competitive weapon. □

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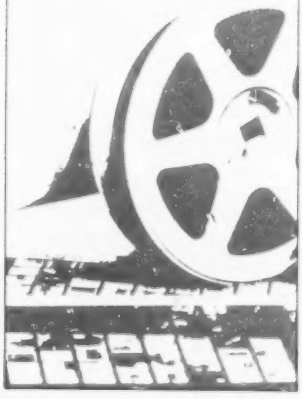

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Remarkable perception

(Continued from page 186)

Measuring management performance

Forbes measured the 1,000 largest public companies in several ways to determine their rank in terms of management performance. While there was no overall ranking, the 12 publishing companies that were included came out well in every category —and the industry would seem to be in the top six by almost any yardstick.

Fastest growing private companies

In *Inc.*'s list of the 500 fastest growing private companies for the period 1978-1982, no less than 17 publishers are included:

Rank	Company	Rank	Company
44.	Feldman Communications, Miami Beach	278.	Micromedia Marketing, Pasadena, Calif.
51.	TSR, Lake Geneva, Ill.	331.	Southern Accents Magaine, Atlanta
93.	Blue Dolphin Enterprises, San Diego	361.	Skybird Publishing, New Orleans
112.	General Communications, Denver	364.	Sybex, Berkeley, Calif.
139.	Central Mass Media, Worcester, Mass.	416.	Winn Galleries, Seattle
178.	Dilithium Press, Beaverton, Ore.	421.	Phillips Publishing, Bethesda, Md.
212.	Wizard Publication, Torrance, Calif.	441.	McDougal, Littell, Skokie, Ill.
272.	Computer Science Press, Rockville, Md.	478.	Seavex, Boston
		491.	Klutz Press, Palo Alto, Calif.

Leading industry rankings

Based on five-year results (out of 46)

	Return on equity	Return on total capital	Growth in sales	Growth in earnings per share
Brokerage	1	1	1	1
Tobacco	2	13	26	3
Health care	3	11	10	2
Beverages	4	9	12	5
Oilfield drillers	5	11	6	11
Publishing	**6**	**2**	**14**	**9**
Toiletries and cosmetics	7	7	29	27
Aerospace and defense	8	15	23	10
Drugs	9	4	30	21
Office equipment & services	10	6	5	14

Individual publishing company rankings

Based on five-year results (out of 1,000)

	Return on equity	Return on capital	Growth in sales	Growth in earnings per share	Stock price change
Dow Jones	29	13	175	287	44
McGraw-Hill	120	60	186	557	129
Washington Post	122	99	263	462	196
Gannett	138	120	234	124	372
New York Times	232	174	161	477	169
Times Mirror	249	214	327	390	246
Meredith	251	349	172	453	99
Knight-Ridder	372	213	278	580	297
Harcourt Brace Jovanovich	555	560	559	532	501
Time Inc.	634	522	545	137	206
Tribune	678	-	813	690	-
Macmillan	893	901	891	987	170

Remarkable perceptions

By James B. Kobak

It may come as a surprise to you, but in surveys taken by several business magazines recently, publishing ranks high. Among public companies, the publishing industry comes out with the highest rating for having the most admired corporations—this from a *Fortune* survey.

A *Forbes* survey of management performance ranks the publishing industry among the first five or so (out of 46) industries. And *Inc.*'s survey of the fastest growing private companies names 17 in the publishing industry.

Viewed in the negative light of some recent events in the publishing industry, this positive assessment is remarkable. Consider the following:

- *The Washington Post*, which suffered large losses from the launch of *Inside Sports*.
- Gannett, which lost quite a bit with the launch of *USA Today*.
- Harcourt Brace Jovanovich, which has had considerable expenses associated with moving its headquarters and several of its operations.
- Time Inc., which had large losses from the launch of *Cable TV Week*.
- Macmillan, whose recent growth (but not profits) has been slowed by the divestiture of dozens of operations.

Most admired corporations

This year, for the first time, publishing was represented in *Fortune*'s survey of the most admired corporations. Two publishing companies made the top 10: Dow Jones—in second place, just below IBM; and Time Inc. in sixth place.

If that isn't enough, consider this: Of the 25 industries included in *Fortune*'s survey, the publishing industry had the highest median score for being admired—and no publishing company was in the list of the 10 least admired.

(Continued on page 170)

James Kobak of Darien, Connecticut, has been a management consultant since 1971. He was previously administrative partner of J.K. Lasser & Co. and international administrative partner of Lasser, Harmood Banner and Dunwoody.

Median rank of 25 industries

Apparel	6.36
Beverages	6.69
Chemicals	6.05
Commercial Banking	6.20
Diversified financial	6.17
Diversified services	6.23
Electronics, appliances	6.40
Food	6.35
Forest products	5.66
Glass, concrete, abrasives, gypsum	5.68
Industrial, farm equipment	6.26
Life insurance	6.19
Metal manufacturing	5.51
Metal products	6.01
Mining, crude oil production	5.72
Motor vehicles and parts	6.18
Office equipment, computers	6.14
Petroleum refining	6.77
Pharmaceuticals	7.26
Precision instruments	6.55
Publishing, printing	**7.37**
Retailing	6.45
Transportation	6.30
Utilities	6.20

Overall ranking of publishing, printing

Rank	Company	Score
1	Dow Jones	8.35
2	Time Inc.	7.99
3	Gannett	7.47
4	McGraw-Hill	7.43
5	Knight-Ridder newspapers	7.40
6	Times Mirror	7.33
7	New York Times	7.31
8	R.R. Donnelley & Sons	7.13
9	Washington Post	6.89
10	Tribune	5.76

These rankings are based on eight factors: quality of management—Dow Jones was third to IBM and Hewlett-Packard; quality of products or services—Dow Jones was first; innovativeness—Time Inc. was third to Citicorp and Merrill Lynch; long-term investment value—Dow Jones was second to IBM; financial soundness—Dow Jones was third to IBM and General Electric; ability to attract, develop and keep talented people; community and environmental responsibility; and use of corporate assets—Dow Jones was second to IBM.

The most admired corporations

Rank	Company	Industry group	Score
1	IBM	Office equipment, computers	8.53
2	**Dow Jones**	**Publishing, printing**	**8.35**
3	Hewlett-Packard	Office equipment, computers	8.24
4	Merck	Pharmaceuticals	8.17
5	Johnson & Johnson	Pharmaceuticals	8.15
6	**Time Inc.**	**Publishing, printing**	**7.59**
7	General Electric	Electronics, appliances	7.96
8	Anheuser-Busch	Beverages	7.91
9	Coca-Cola	Beverages	7.87
10	Boeing	Aerospace	7.79

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UPDATE

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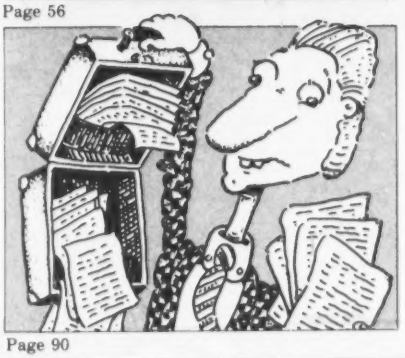

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Understanding single-copy distribution

By Ray Farrar
Knowing how the system that distributes your magazine's newsstand copies works can help you increase sales, decrease costs. Page 64.

Accurate ad sales forecasting

By Morton E. Grossman
Developing a reliable ad sales forecast will help you project profits, determine cash flow, make provisions for paper and printing, and plan marketing expenditures. Page 75.

Single-copy options for small magazines

By Walter Carlson
Distribution routes: Do you choose direct to retailers, direct to wholesalers, through national distributors—or a combination of these? Seven small magazines tell their stories. Page 81.

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Cover design: Steve Phillips Design, Inc.; photography: Richard Ross

Management

Publishing costs to rise 34.4% from 1983 to 1986

Boca Raton, Fla.—Although business magazine publishers are optimistic about increased ad revenues, they were told at the American Business Press (ABP) spring conference to expect greater cost increases as well.

Magazine publishing costs will go up 34.4 percent from 1983 to 1986, according to John DeWolf, who developed methods used by Cahners Publishing Company for economic forecasting.

Using data from 226 business magazines covered in the ABP 1983 Cost Report and projecting those costs, DeWolf also predicted that total magazine publishing costs will rise over 1983 costs by 13.5 percent in 1984 and by 25.76 percent in 1985.

The biggest cost rise in the three-year period is for paper, DeWolf asserted. Paper costs rose 27 percent from 1983 to 1984, he said, up from $10.63 per hundred dollars of costs to $13.51. Paper costs from 1984 to 1985 will rise another 10 percent to $14.83, he continued.

The next-biggest cost increase during the period forecast is in compensation, DeWolf explained. Compensation costs will rise 11.4 percent from 1983 to 1984, 11.3 percent from 1984 to 1985 and 8.8 percent from 1985 to 1986.

Advertising revenue growth for the three-year period is expected to be high, but not as high as cost increases, according to DeWolf. He sees advertising revenue rising over 1983 revenue by 15.29 percent in 1984, 24.8 percent in 1985, and 31.65 percent in 1986.

As a result of the different rates of growth, the difference between ad revenue and costs, which was 23.2 percent of revenue in 1983, will rise to 24.4 percent in 1984, but then drop to 22.2 percent in 1985 and to 21.6 percent in 1986.

Regarding advertising pages, DeWolf sees ad pages in specialized business magazines up 7.6 percent in 1984, up 3.5 percent more in 1985 and up an additional 1.5 percent in 1986, for a total gain of 13 percent over 1983.

DeWolf explained how he and Cahners Economics Department use rate-of-change curves for the Index of Industrial Production as a leading indicator.

DeWolf used as his starting point for forecasts the 1982 information contained in the 1983 ABP Cost Report, which reveals the biggest publishing expense for 1982 to be compensation, accounting for 24 percent of total costs. The next-biggest expense was printing, 15.8 percent. Other major expenses were paper, 11 percent; circulation (excluding personnel), 8.9 percent; and postage, 8.7 percent. Promotion and research (other than personnel) accounted for 6.2 percent; travel and entertainment, 5.2 percent.

Magazine publishing costs for the specialized business press

	1983	1984	1985	1986
Compensation	$23.38	$26.64	$30.06	$32.70
Printing	16.20	20.13	23.02	25.14
Paper	10.63	13.51	14.83	14.75
Postage	8.53	10.07	11.84	12.13
Travel & entertainment	5.30	5.54	5.91	6.38
Other	35.96	37.61	40.10	43.30
	$100.00	**$113.50**	**$125.76**	**$134.40**

SOURCE: JOHN DEWOLF, ON THE BASIS OF DATA FROM THE AMERICAN BUSINESS PRESS 1983 COST REPORT

Dollar figures based on $100 in costs for 1983. For example, for every $100 spent in 1983, $23.38 (23.4 percent) went to compensation.

Magazine publishing is clearly a people business. About one fourth of publishing costs for the business press is for compensation.

Publishing attorneys laud Supreme Court ruling in libel case

New York City—Publishing attorneys say that the Supreme Court's decision this spring instructing appellate courts to review the facts in libel cases is a major victory for magazines and other media because it retains a formidable legal shield against huge jury libel awards.

But the attorneys said that they doubt the Court's ruling in the case involving *Consumer Reports* and the Bose Corporation represents a significant change in what they say is the Burger Court's generally anti-media view in libel cases.

"This is the first break they've given us in years," says Neal Goldman, who represents *New York* and Murdoch publications in libel matters. "This is a desirable and necessary stop, but only a temporary stop on a lengthy retreat from the principles of New York Times Company v. Sullivan."

In a 6-3 decision, the Court ruled that the United States Court of Appeals for the First Circuit had the right to overturn a Federal district court verdict against Consumers Union, publishers of *Consumer Reports*. The trial court had awarded the Bose Corporation $210,000 for a critical review of one of its speaker systems that appeared in an issue of *Consumer Reports*.

The appellate court overruled that verdict and Bose appealed to the Supreme Court, saying that the appeals court overstepped its jurisdiction when it reviewed the facts in the case. The appeals court, Bose argued, should have limited its review to the procedural matters in the case.

But the Supreme Court ruled that broadbased appellate review, established in the 1964 landmark libel case New York Times Company v. Sullivan, is essential because of the importance of the First Amendment right of freedom of press.

That finding is welcome news to the media, according to the attorneys contacted by FOLIO, because appellate courts frequently overturn trial court verdicts carrying large damage awards against news organizations. In fact, a study by the Libel Defense Resource Center found that plaintiffs in libel suits win 83 percent of jury trials, but that

the press wins more than 70 percent of the appeals.

"It certainly keeps a very important door open to reversing libel verdicts at the trial level," says publishing attorney Ed Smith.

"It's the first time that a majority has made that kind of signal in a long time," adds Robert Sack, who frequently represents *Barron's* and other Dow Jones publications in libel cases. "It's a comparatively strong statement," he says.

"This will permit media lawyers to continue to defend aggressively," says Goldman. "We don't have to be quite as frightened of juries."

Smith said, however, that he doubts the ruling will discourage the filing of libel suits in the future. "All it means is that the situation is the same as it was before this decision," he says.

Sack said, though, that the Supreme Court's strong emphasis on the importance of independent appellate review of the facts in libel cases might make trial courts think twice about the libel verdicts they issue.

Electronic publishing ventures are too risky, FOLIO's Hanson says

Montreux, Switzerland—Magazine publishers should resist the temptation to plunge into electronic publishing, because the risks involved are too great, says Joe Hanson, president of the FOLIO Publishing Corporation.

Hanson told the International Direct Marketing Symposium that consumer demand and the technology are too uncertain to justify large investments in electronic publishing. Many electronic publishing services "provide the same material that appears in newspapers or magazines, and others provide information that is easily obtained elsewhere or is of little interest," he said. "But, even if there is a need for a product, there is no guarantee that it will succeed, because the electronic publishing field is so unpredictable and unstable. A product that is needed today may be obsolete tomorrow."

Nevertheless, Hanson said, many magazine publishers are "dashing into electronic publishing ventures with the impetuous fervor of prospectors stampeding West during the California Gold Rush. The reason, quite often, is fear," he said. "Many publishers underestimated the impact of television on magazines. They were not prepared to battle an overnight Goliath for readers and advertising dollars, and they don't want to be caught off guard again. Electronic publishing is one revolution, they say, that won't pass them by.

"Electronic publishing—whether it's teletext, videotex, databases or computer software—may be commonplace and profitable someday, though it will never replace magazines or substantially cut magazines' profits," he continued. "But that day is far away, and prudence and patience are needed in the meantime. Magazine publishers should move slowly to take advantage of the emerging electronic publishing technology without letting it take advantage of them."

The best way to take advantage of electronic publishing is to provide information through existing services, like the NEXIS database, Hanson said. "The biggest advantage of this kind of arrangement is that a magazine publisher will not be significantly hurt if the service struggles or folds," he said. "A publisher can extend his franchise without extending his manufacturing base and financial liability."

But publishers should not try to develop and market electronic publishing services, as Time Inc. and Dow Jones did with their failed teletext and Dow Alert services, he said.

"Computer technology has helped magazines get where they are today, and it will help them go even farther tomorrow," he said. "Publishers will still feel pressure to become Thomas Edisons and to reduce their magazines to electronic impulses on a video screen. A few will succumb, but most will not. And that will help the magazine industry to thrive."

House & Garden won two National Magazine Awards: one for "its talented and sensitive use of classic design" and one for general excellence.

House & Garden takes two of 11 National Magazine Awards

New York City—Not only did *House & Garden* win two 1984 National Magazine Awards—one for general excellence in the 400,000 to one million circulation grouping and the other for design—but it did so only one year after a major redesign.

"To get this kind of recognition in our first year is very gratifying and a great affirmation of the direction we're taking," says *House & Garden* editor in chief Louis Gropp.

In January 1983, *House & Garden* began narrowing its editorial focus to appeal to more upscale readers. Gropp said the magazine was redesigned, the editorial aim better focused, the quality of the reproduction improved, the grade of the cover stock improved, pages added and the cover price increased.

Other winners during the National Magazine Award ceremonies at the Waldorf-Astoria on April 24 were *Esquire*, for single-topic issue; *The New Republic*, for essays and criticism; *New York*, for service to the individual; *The New Yorker*, for public service; *Seventeen*, for fiction; and *Vanity Fair*, for reporting.

Together, *Vanity Fair* and *House & Garden* earned three awards for Conde Nast Publications Inc.

Other winners in the category of general excellence were *The American Lawyer*, under 100,000 circulation; *Outside*, 100,000 to 400,000 circulation; and *National Geographic*, over one million circulation.

The National Magazine Awards were established in 1966 by the American Society of Magazine Editors and are administered by the Columbia University Graduate School of Journalism. They are assisted by a grant from the Magazine Publishers Association.

ABC-audited circulation data to be available on computer systems

Schaumburg, Ill.—Publishers, advertisers and advertising agencies will soon be able to use their office computer terminals to generate instant reports based on Audit Bureau of Circulations (ABC) audited circulation data.

Lisa Salems, on-line and marketing manager for ABC, said the new service will be started thanks to an agreement between ABC and two telecommunications companies, Interactive Market Systems Inc. (IMS) and Telmar Group Inc. The ABC data are expected to be available on the companies' systems on July 1.

The data available, Salems explained, will include magazine circulation

Circulation/Subscription

Average base salaries for circulation execs hold steady since 1983

New York City—The average base salaries of magazine circulation directors and managers changed little in the last year and circulation executives at consumer publications continue to easily outpace their counterparts at trade titles, according to a wage study by Crandall Associates, Inc.

The results of the sixth annual study were published by Crandall Associates, an executive recruiter in the direct marketing field, in Crandall's *1984 Direct Marketing National Salary Guide.*

H.B. Crandall, president of Crandall Associates, said that, along with a stable salary picture, the past year also saw relatively few circulation executives changing jobs. In unsettled economic times, he said, people in circulation as well as in other fields have a tendency to stay with the jobs they already have.

The 1984 salary guide lists salaries for 40 different direct marketing jobs, including five categories of jobs within magazine publishing companies.

The study found that magazine circulation directors with more than five years of experience at consumer magazines were being paid between $54,000 and $58,000 per year at most firms and about $65,000 per year at leading firms. Circulation directors with similar experience at trade magazines were being paid between $40,000 and $45,000 at most firms and about $50,000 at leading firms, the study revealed.

Circulation managers with more than five years of experience at consumer magazines were paid between $42,000 and $48,000 at most firms and $55,000 at leading firms, while their counterparts at trade titles were paid between $30,000 and $34,000 at most firms and about $36,000 at leading firms.

Circulation executives at consumer magazines tend to make more than those at trade magazines, Crandall said, because consumer magazines usually have greater revenues and bigger audiences.

One of the few changes in the circulation field since the 1983 study was

(Continued on page 31)

Base salary ranges for magazine circulation and fulfillment executives

Position title and description	Years experience	Base salary range (excluding benefits)	Leading firms
Circulation director/Consumer: Identifies the target audience, marketing policy and pricing and guides creative efforts and audits.	1-2 3-5 5+	$42,000-$46,000 $48,000-$52,000 $54,000-$58,000	$50,000 $56,000 $65,000
Circulation manager/Consumer: Executes master plan. Responsible for subscriptions, renewals, newsstand and fulfillment.	1-2 3-5 5+	$28,000-$32,000 $34,000-$40,000 $42,000-$48,000	$35,000 $45,000 $55,000
Circulation director/Trade: Penetrates defined audience with specific emphasis on positioning, renewals and audit bureau rules.	1-2 3-5 5+	$26,000-$30,000 $32,000-$36,000 $40,000-$45,000	$35,000 $43,000 $50,000
Circulation manager/Trade: Helps develop controlled and/or paid subscriptions and renewals; supervises fulfillment operation.	1-2 3-5 5+	$18,000-$22,000 $24,000-$28,000 $30,000-$34,000	$25,000 $32,000 $36,000
Fulfillment manager/Magazine: Responsible for list maintenance, cashiering and order processing, billing and renewal scheduling.	1-2 3-5 5+	$22,000-$25,000 $27,000-$30,000 $32,000-$35,000	$28,000 $34,000 $39,000

Source: Crandall Associates, Inc.

Computers may be in, but paper isn't out, say USPS auditors

Cos Cob, Conn.—Despite the increasing usefulness and practicality of computers in circulation departments, there may be some little-known hazards. One circulation director who uses a personal computer found he didn't have the kinds of records demanded by a United States Postal Service auditor.

George T. Granger, circulation manager for Cleworth Publishing Company, Inc., explained that, in March, an auditor from the Postal Service came to the office to conduct an annual review to make sure the Cleworth monthly *United States Banker* was meeting second class mail requirements.

The auditor asked for a list of subscribers for the February issue so he could pick out a few subscribers and then verify that they were paying a rate equal to at least 50 percent of the basic annual subscription rate.

Granger's staff, however, couldn't produce the list.

In October, Cleworth had switched from an outside fulfillment service to an in-house system using a mini-computer.

The computer stores the current list of subscribers, but no back lists. Granger said he had no use for back lists and that storing each month's list on a $75 computer tape would only waste money and clutter the office shelves.

The current list in the computer and hard-copy records of each month's subscription drops and adds were all he needed to conduct business, Granger maintained.

Local Postal Service employees later said they sometimes give a publisher "the benefit of the doubt" and accept a current list if the specified past list is not available. However, they added, they want a paper version, not one in the computer. According to the Postal Service, Granger's staff (Granger was out the

day of the audit visit) said they didn't know how to make a printout.

Granger told FOLIO he was not asked to print out the current list, but he was willing to do so, although it might take a day. He said he doesn't understand why the auditor could not just read from the computer screen.

In any case, the Postal Service postponed the audit for a few months and told Granger he had better start keeping records so they would be available when the auditor returns.

Granger, however, asserted that he will try to get the Postal Service to change its outdated rules rather than comply.

The circulation manager said a paper copy of each month's list of subscribers was a natural product of the business in the days before the computer, but today there is no need for paper lists and, without a sophisticated data processing capability, it is difficult to print such lists.

Using the current list and paper records of the drops and adds, the Postal Service could reconstruct what happened in the past, Granger maintained. According to the current rules, he

66 percent of ordinary second class publications delivered late

Publication delivery box score: Ordinary second class and controlled circulation publications January-March 1984

City	Better than USPS service standard	Service standard	1-3 days late	4-6 days late	7-10 days late	Later
Composite average*	**19**	**15**	**32**	**18**	**10**	**6**
Boston (Area 021)	15	12	32	12	18	11
Boston (Area 022)	0	67	33	0	0	0
New York City	11	11	27	24	11	16
Buffalo	23	13	42	7	2	13
Pittsburgh	10	14	40	26	5	5
Philadelphia	2	0	29	33	16	20
Washington, D.C.	25	22	24	20	9	0
Atlanta	15	18	27	22	5	13
Miami	43	22	24	4	1	6
Memphis	23	9	28	21	6	13
Cincinnati	11	25	35	18	4	7
Detroit	14	19	31	14	8	14
Milwaukee	14	2	43	16	18	7
Minneapolis	30	14	29	16	7	4
Chicago	10	18	38	14	14	6
New Orleans	11	10	36	10	18	15
Dallas	23	28	20	15	8	6
Houston	30	32	19	6	9	4
Denver	8	17	31	15	19	10
Salt Lake City	10	0	45	10	10	25
Los Angeles	16	14	34	20	7	9
San Francisco	42	14	26	8	6	4
Seattle	35	9	33	7	7	9

*INCLUDING OTHER U.S. CITIES AND SCFS NOT LISTED

SOURCE: RED TAG NEWS PUBLICATIONS ASSOCIATION, INC.

Service improved by 7 percentage points overall for ordinary second class publications in the first quarter of 1984 compared with the fourth quarter of 1983. For all cities monitored, the combined percentage of publications delivered on time (service standard) or sooner (better than service standard) was 34 percent in the first quarter of 1984 compared with just 27 percent in the previous quarter.

Service in the first quarter of 1984 was also 6 percentage points better than in the first quarter in 1983, when only 28 percent of the publications were delivered on time or sooner.

In the first quarter of 1984, 13 of 23 delivery areas listed here experienced improved service compared with the previous quarter.

Minneapolis saw the biggest improvement. Combined on-time and better-than-standard service went from 23 percent during the fourth quarter of 1983 to 44 percent during the first quarter of this year.

Of the eight cities where on-time or better service declined, New Orleans saw the most severe drop, from 47 percent for the last quarter of 1983 to 21 percent in 1984's first quarter.

In two cities, combined on-time and sooner percentages did not change.

The area listed that had the best service in the latest quarter was the 022 Zip Code area of Boston, where 67 percent of the mail was delivered on time or sooner. Miami was a close second, with 65 percent of its mail delivered on time or sooner.

The poorest delivery record was in Philadelphia, where only 2 percent of the mail was delivered on time or sooner. This is an even further drop from the last quarter of 1983, when Philadelphia had the second-worst record of the cities on the list, with only 11 percent of its mail delivered on time or sooner.

The second-worst rating on the list for the first quarter of 1984 was for Salt Lake City, which had 10 percent of its mail delivered on time or sooner. This delivery record was unchanged from the last quarter of 1983, although in that period, Salt Lake City had the poorest delivery record of all cities listed.

speaker at a recent FMA seminar on customer service, underlined the importance of the question, "How far will your company go in accepting a customer's claim?"

Forier, who is coordinator of services for books and business publications for Hearst, told fulfillment executives that they must establish a firm policy in order that all staff members will know "the right way" to implement customer service.

"Will you be willing to say, 'the customer is always right,' even when you know he is wrong?" she asked. "How much will you allow as 'claims paid,' without writing for proof of payment? Will you allow $10? $20? more or less?"

As for returns, Forier asked, "Will you process a 'claims returned' transaction on your files, based on a customer's correspondence, regardless of the value of the product?"

Forier said she deals only with outside service bureaus and will accept "claims paid" up to $15.

"For those customers who do pay," said Forier, "you should process a 'claims paid' transaction, to be changed to a 'good pay' when the check actually comes in. Or you could post a 'claims returned' entry on your file, only until you can verify the return when it reaches your warehouse."

Each renewal letter in series should look like it's the last one

Chicago—"Sneak up on your subscribers" to get them to open the envelope, and make them feel that each letter in the renewal series is the last one they will receive.

This was the calculating advice from Eliot DeY. Schein, the president of Schein/Blattstein Advertising, during a workshop at FOLIO: Chicago—The Midwest Publishing Conference & Exposition. He used a series of renewal letters created by *The New Republic* to illustrate his point that the letters should look different, with the envelopes becoming progressively more urgent in their appeal for action as expiration date approaches.

The first letter, he said, should take a very low-key, business-like approach, stating simply that the subscription will soon expire, and that renewal should be done immediately to avoid missing a single issue in these "vital times." The envelope he showed says merely, "Reading Time 22 Seconds."

"Gee Whiz" graces the envelope of the second letter, which points out how the weekly magazine values "someone like you" and gives the impression that the lack of renewal would be a very personal loss to the publishers.

The strategy involved in this series of renewal letters from *The New Republic* is that the letters look different, with each appearing to be the last.

The third letter starts to get down to business, Schein explained; the mailgram format of the envelope indicates that it is time to place the order. An imperfect-looking rubber-stamped message says, "Prompt Reply Requested," and another, printed line says, "Time-Value Message Enclosed." The letter itself continues the urgency of the mailgram format in all capital letters, and again points out that the world situation dictates a continuance of the subscription.

With just one month to go, a fourth letter is sent, with a "string" on the envelope for mentally tying on the reader's finger as a last-minute reminder to renew.

The fifth letter finally says "Last Chance" on the envelope, though, as Schein explained, that really doesn't mean the last chance to renew, but the last chance not to miss an issue.

The sixth, and really final, letter makes the ultimate appeal for the readers to consider themselves family, and to be welcomed back. The envelope says "Petition Enclosed," and the letter, in the form of a petition, is signed by all of the *The New Republic*'s editors.

Schein described other, less imaginative and less successful renewal series, particularly one that was done by *More*, in which the letters were numbered one, two, three, etc. That's the wrong approach, he said, and possibly as a result, *More* is no more.

Crandall wage study

(Continued from page 26)

some narrowing of the salary ranges for certain experience groups of certain jobs. Crandall says the low end of the ranges

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tended to move up, perhaps because of increased demands for circulation executives.

For instance, the salary range listed for consumer circulation managers with three to five years' experience was $32,000 to $40,000 in the 1983 guide; in the 1984 guide, the range is $34,000 to $40,000.

This year, the study included, for the first time, magazine fulfillment managers. Such a manager with more than five years of experience can expect to make between $32,000 and $35,000 at most firms and about $39,000 at leading firms, the study found.

Figures for the guide were derived from discussions with employers, from interviews with professionals in the field and from recruitment searches done by Crandall Associates.

Crandall stressed that the salaries listed represent the average ranges, and that there are exceptions. He noted that his firm recently placed a circulation director at a multiple magazine trade publisher at a salary of $75,000 a year.

Salaries can vary based on such factors as the job's actual responsibilities, the location of the company and the company's reputation. The study also does not include perquisites such as company cars or bonuses awarded for outstanding performance.

Crandall said prospective employers usually have to offer a higher salary than those listed to get a prospect to leave his or her current job.

"An employer trying to recruit these people will find they want an increment of 20 percent to move," he explains.

The study is available free to publishers, company presidents and personnel officers, and to candidates who supply their resume and base salary. Crandall is located at 501 Fifth Avenue, New York, N.Y. 10017.

15 magazines overstate circulation

Fifteen magazines, including one from France, overestimated their circulations by 2 percent or more, according to reports released by the Audit Bureau of Circulations (ABC) during the first quarter of 1984. The reports compare ABC magazine audits with publishers' statements, and list instances where the difference is at least 2 percent either way.

Air Progress overestimated its circulation by the highest percentage (8.18 percent) of the 15 magazines. A total of five magazines overestimated circulation by over 5 percent. One publication, *4 Wheel & Off-Road*, underestimated its circulation by 3.07 percent.

Magazine	Audit period	Total paid (publisher's statements)	Total paid (audit report)	Difference	Percentage difference
United States					
Air Progress	12/31/82	115,934	106,454	— 9,480	— 8.18
Black Enterprise	12/31/82	250,446	239,442	— 11,004	— 4.39
Electronic Games	6/30/82	166,383	161,088	— 5,295	— 3.18
**Financial World*	12/31/82	103,003	95,013	— 7,990	— 7.76
***Gourmet*	12/31/82	634,923	611,892	— 23,031	— 3.63
MacFadden Women's Group	12/31/82	2,577,371	2,496,240	— 81,131	— 3.15
Magazine Antiques	6/30/83	57,600	55,963	— 1,637	— 2.84
Petersen Marine Group	12/31/82	143,595	139,960	— 3,635	— 3.53
Playgirl	12/31/82	673,445	650,605	— 22,840	— 3.39
Rudder	12/31/82	45,851	43,547	— 2,304	— 5.02
Time Latin America	12/31/82	125,582	117,971	— 7,611	— 6.06
Venture	6/30/82	178,029	168,158	— 9,871	— 5.54
Video	6/30/83	186,355	182,254	— 4,101	— 2.20
Washington Journalism Review	6/30/83	19,340	18,526	— 814	— 4.21
France					
**** Al Mostakbal*	12/31/82	63,060	61,428	— 1,632	— 2.59
United States					
4 Wheel & Off-Road	12/31/82	213,297	219,838	+ 6,541	+ 3.07

**Financial World* was owned by Macro Communications until May 2, 1983, when it was purchased by Financial World Partners.
***Gourmet* was owned by Gourmet, Inc. until November, 1983, when it was purchased by the Conde Nast Publications Inc.
****Audit covered six-month period.

SOURCE: AUDIT BUREAU OF CIRCULATIONS

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already doing the latter, because the American Paper Institute (API) reports that paper output for 1983 was slightly higher than API had originally forecast, according to a spokesman.

Production department, not editorial, should control costs of art

Chicago—Production costs are *any* expense tied directly or indirectly to the manufacture of a publication—including the costs of editorial art and those who produce it—and should be under the production manager's control.

This was the heart of a somewhat startling, if convincing, presentation on production management and cost control in a workshop during FOLIO: Chicago—The Midwest Publishing Conference & Exposition, by Michael Scheibach, vice president/director of operations of Globecom Ltd., publishers of *Television/Broadcast Communications*.

"Effective production management begins with the overall organization of the company," Scheibach asserted. The production manager should have the authority to control all editorial artwork, including the costs of artists, cartoonists, photographers, and should be in a position to override the editor on the amount and nature of the editorial material, even in cover selection. "We can always go elsewhere," he pointed out.

Production managers should also have control over some "indirect costs," relating to circulation, promotion and advertising.

Under circulation, he listed fluctuations in press run (subscriber base, promotional copies, show copies, newsstand), and renewal efforts (subscription cards, wraparound covers) as causes of expenses that should be under the production manager's control.

In the promotion area, he listed costs for special promotions for specific issues, such as show issues, and inserts involving four-color separations in promotional copies.

On advertising, the indirect costs involve the requirements for special inserts or advertising sections, as well as special positions for advertisers.

The direct costs he listed were more traditional: typesetting, art/photo, pasteup (page composition), pre-press, printing, paper and shipping and handling.

Scheibach also provided a list of tips for production managers for controlling their costs.

•Explore the use of lighter paper.

•Minimize four-color editorial.

•Keep up to date on your printer's equipment.

•Understand what constitutes a "cost effective" imposition—"one 32-page form is not always more efficient than two 16-page forms."

•Hire a competent, professional staff that knows how to prepare both advertising and editorial material.

Salaries of Women in Production Inc. members

Job category	Number of cases	Mean salary	Median salary
magazine ad production (non-supervisory)	17	$19,524	$20,000
book production	13	$22,938	$19,400
magazine editorial production	19	$23,168	$22,500
promotion	20	$26,645	$23,500
magazine ad production (supervisory)	28	$26,307	$26,000
agency and design production	19	$26,453	$27,000
quality control, purchasing and manufacturing	25	$33,984	$31,000
sales	28	$39,823	$34,000
general management	12	$44,625	$44,000
miscellaneous	12	$33,342	$25,900
total	**193**	**$29,778**	**$26,000**

SOURCE: WOMEN IN PRODUCTION INC.

Women in production average salary up 26% since 1982

New York City—A recent survey conducted by Women in Production Inc. (WIP), found that the average annual salary of the professional group's members was $29,778—up 26 percent from the average of $23,580 recorded in a similar, but less detailed, survey conducted two years ago.

Marsha Hoffer, production manager at Weiss/Watson Inc. and the chair of the association committee that ran the latest survey, credits the increase, which is substantially above the rate of inflation, to the fact that more women have been moving up the management ladder in recent years.

"Women in production are taking more risk-oriented jobs, and those jobs tend to pay better," she says.

The 30-question survey was mailed to about 400 WIP members in December 1983; by January, 195 responses were mailed back. All but three of the respondents were female.

Almost all of the association's members live in the greater New York metropolitan area.

Of those who completed the survey, 49 percent worked for magazines, 13 percent for printers, 9 percent for book publishers, 5 percent for advertising agencies and the rest for such businesses as paper companies, corporate print purchasing firms and type houses.

Job titles listed included owner, 2 percent; president, vice president or director, 12 percent; manager, 34.5 percent; supervisor or coordinator, 12.5 percent; assistant, 10 percent; sales account executive, 15 percent; freelance, 1 percent; and "other," 13 percent.

The highest-paying job categories, based on 193 responses to these questions, were general management, with an average annual salary of $44,625, and sales, with an average salary of $39,823. The lowest-paying jobs were in book production, where the average salary was $22,938, and non-supervisory magazine ad production, where the average salary was $19,524.

Asked where they received the majority of their job training, 42 percent said on their current job, 39 percent on their previous job, 9.2 percent in school, 6.3 percent in seminars, 3 percent in night courses and 0.5 percent "other sources."

College degrees were held by 64 percent of the respondents, and more than 12 percent had graduate school degrees.

New proofing system available to gravure publishers from 3M

St. Paul, Minn.—Now there is a choice of proofing tools available to publications using half-tone gravure, according to industry experts.

The new 3M Matchprint for Gravure proofing system was introduced by the company at the Gravure Technical Association's annual meeting in April in New York City.

Previously, the only major proofing system available to the growing number of half-tone gravure publications was Du Pont's Cromalin system, which uses colored toner powder supplied in cassettes.

The 3M system, which can be run on the same Matchprint equipment used for offset proofing, utilizes special